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How Audits Save Money for Fuel Oil Dealers
Can You Profit from Quick Lube Tie-Ins?
Dealer Network Works for Denver-Area Jobber

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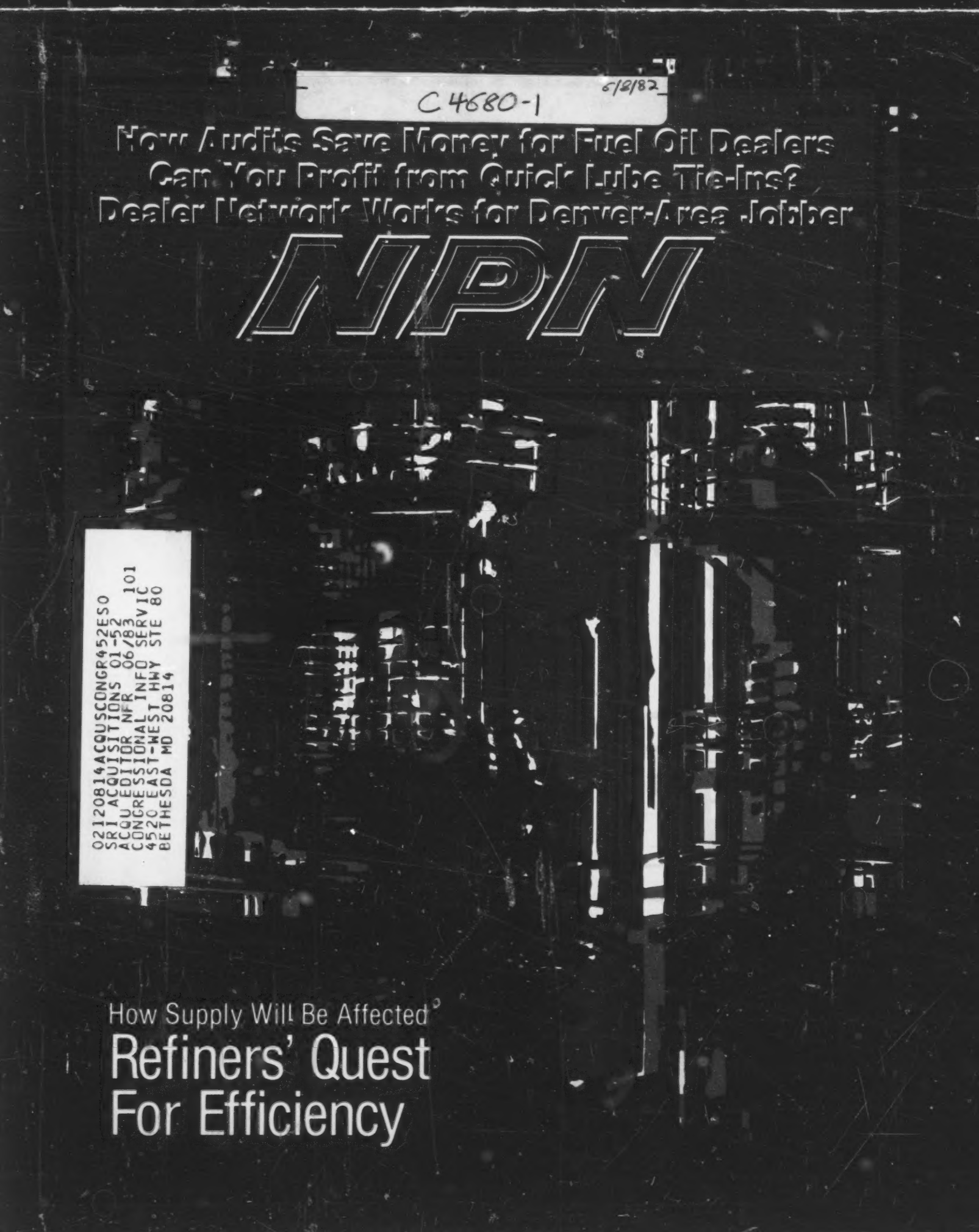

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How Supply Will Be Affected

Refiners' Quest For Efficiency

NATIONAL PETROLEUM NEWS

JUNE 1982 VOL. 74 NO. 6

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It's a complex study, but the domestic refining industry is going through perhaps the most unprecedented restructuring in its history. Refineries are being mothballed or scrapped completely, others are gearing up with huge investments in new technology. Oil marketers definitely will feel the tremors. Page 36.

Cover illustration by Marcus Design.

A firm that has been quietly watchdogging the interests of gas and electric utility customers for a half-century is now plying its craft in the fuel oil and gasoline businesses—with sometimes painful results for suppliers. Page 42.

Northern Tier Pipeline Co. had a hopeful plan for linking Midwest refiner-marketers to the West Coast and Alaskan North Slope crude oil. That plan disintegrated with a permit rejection in April by Washington state. Now, legal hale hits the Frostbelt. Page 18.

• TRENDS

If U.S. Doesn't Raise Taxes The States Will Be Forced To

If the Reagan administration chooses not to do anything about hiking the federal gasoline tax this summer as has been talked about in Washington and elsewhere in recent months, watch for any number of states to have field days in the motor fuel revenue department.

Many states are hurting because consumption has declined for the past several years and is cutting into their tax dollars for highway and bridge maintenance and new construction. The latest report from Federal Highway Administration shows that state gasoline tax collections, on a national basis, fell 2.7% in 1981. That's more than $3-billion, despite the fact that 22 states hiked their gasoline taxes by $2-billion or so last year [NPN—Feb. p29].

The outlook for 1982 is more of the same, i.e., still lower consumption and further slumps in motor fuel revenues. What makes all this doubly important is that motor fuel revenues represent as much as 10% or more of the total budgets in no less than 11 states. New Hampshire is highest, not only in cents per gallon (14.0¢) but also in the percentage ratio (18.0%). Eighteen other states are pretty close to the 10% of budget ratio, too.

In 1981, 40 of the 50 states (plus the District of Columbia) suffered declines in their motor fuel collections. In the preceding year, 34 states were down.

It has been particularly difficult for those states that switched from a flat cents per gallon to a variable percentage rate. This was all fine and dandy so long as pump prices and consumption were going up. But then the bottom fell out in 1981 and prices began to tumble.

What the federal government does about the federal tax is the key to 1982 and 1983. If the administration preempts the field and boosts the federal tax by as much as 5¢ gal., that would pretty well preclude state actions this year or next. After all, a 5¢ gal. tax hike will be a stiff one for motorists to absorb and it well could precipitate another sharp drop in consumption.

On the other hand, if the Reagan administration abandons the federal hike concept this year, watch for the states to move. This could be their last, best opportunity because, sooner or later, the federal tax is bound to be hiked. It hasn't been increased in 20 years or so. **—J. Richard Shaner**

State Gasoline Tax Collections—1981

	Gasoline Tax Rates per Gal. (12/31/81) (a)	Total State Motor Fuel Revenues in 1981 (Add 000)	% Change '81 vs. '80
Alabama	11.0¢	$2,126,341	−3.7%
Alaska	8.0	180,049	−0.7
Arizona (b)	**8.0**	**1,446,963**	**−4.2**
Arkansas	9.5	1,303,034	−2.9
California (c)	7.0	11,330,390	−4.8
Colorado	**9.0**	**1,528,776**	**−2.9**
Connecticut	11.0	1,327,964	−4.2
Delaware	**11.0**	**305,283**	**−3.8**
Dist. of Columbia	11.0	175,291	−4.4
Florida	8.0	4,838,540	−5.4
Georgia	7.5	3,086,487	−4.4
Hawaii	8.5	345,733	6.8
Idaho	**11.5**	**504,578**	**1.4**
Illinois	7.5	5,102,930	0.1
Indiana	**10.5**	**3,054,646**	**−1.9**
Iowa	**13.0**	**1,714,616**	**3.4**
Kansas	8.0	1,443,548	0.2
Kentucky	9.0	1,867,177	−4.1
Louisiana	8.0	2,211,334	−3.9
Maine	9.0	523,013	−4.3
Maryland	9.0	1,957,794	−4.3
Massachusetts	9.8	2,291,485	−3.9
Michigan	11.0	4,108,255	−6.5
Minnesota	**13.0**	**2,139,238**	**−0.9**
Mississippi	9.0	1,317,197	−2.6
Missouri	7.0	2,763,325	−1.2
Montana	9.0	523,232	1.6
Nebraska	13.6	950,508	5.8
Nevada	**10.5**	**533,054**	**−3.1**
New Hampshire	**14.0**	**407,339**	**−4.5**
New Jersey	8.0	3,348,705	−2.6
New Mexico	**9.0**	**843,962**	**−5.1**
New York	8.0	5,569,766	−2.2
North Carolina	**12.5**	**3,086,132**	**−2.5**
North Dakota	8.0	455,518	12.6
Ohio	**10.3**	**5,368,283**	**−1.1**
Oklahoma	6.5	2,013,945	1.8
Oregon	**8.0**	**1,471,538**	**−2.9**
Pennsylvania	11.0	5,070,441	−4.7
Rhode Island	**12.0**	**380,232**	**−0.3**
South Carolina	**13.0**	**1,674,770**	**−3.5**
South Dakota	**13.0**	**463,754**	**9.4**
Tennessee	**9.0**	**2,623,250**	**−3.3**
Texas	5.0	8,735,415	−1.0
Utah	**11.0**	**788,209**	**2.6**
Vermont	**11.0**	**249,987**	**−3.8**
Virginia	11.0	2,717,465	−3.9
Washington	**13.5**	**1,970,632**	**−3.1**
West Virginia	10.5	903,712	−5.1
Wisconsin	**13.0**	**2,314,361**	**−1.7**
Wyoming	8.0	434,071	−0.2
Total U.S.		**$111,904,998**	**−2.7%**

(a) Tax rate for highway use; does not include federal or local taxes; (b) Bold face indicates states which raised gasoline taxes in 1981; (c) California goes up 2¢ gal. on 1/1/83.
Source: Federal Highway Administration, April 1982.

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

MARCH	Gasoline (All types)	Leaded Regular	Unleaded Regular	Leaded Premium
U.S. City Avg.	$1.268	$1.206	$1.284	$1.407
Regions:				
Northeast	1.299	1.241	1.304	NA
North Central	1.249	1.206	1.268	1.373
South	1.243	1.179	1.261	NA
West	1.303	1.221	1.418	1.418

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	4/27/82	4/28/81
Gasoline (total)	235,826	276,238
Gasoline (unleaded*)	92,979	99,797
Kerosine **	46,439	47,282
Distillates	113,962	166,557
Residual	54,923	76,658

**Included in gasoline total.*
***Includes jet fuel.*
Source: American Petroleum Institute.

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NATIONAL PETROLEUM NEWS JUNE, 1982

Lundberg's 1981 Market Share Tally— Win: Amoco; Place: Shell; Show: Exxon

Amoco displaced Exxon as the nation's No. 1 gasoline marketer in 1981, finally making it to the top after years of trailing the leaders by small margins, according to the *Lundberg Letter*, which keeps track of annual gallonage and marketplace positions.

Amoco was third in 1980, thus making its vault into the leadership an impressive feat. Exxon, which ruled the roost in 1980 and 1979, dropped into third place. Shell held on tightly to the second position, after finishing No. 1 back in 1978 and 1977.

Amoco captured 7.31% of the national market in 1981, according to Lundberg. This was 39 points above Shell, at 6.92%, and 51 points above Exxon, at 6.80%. It was one of the widest spreads in recent years between the three top positions.

Shell, for example, won the 1978 derby by only one point—one one-hundredth of a percent. It was noted at the time that this was just about the equivalent of a good Saturday night's gasoline business for Shell across the nation.

According to Lundberg, the national gasoline market in 1981 was 2.53% smaller than that of 1980 which, in turn, was smaller than that of the preceding year. Lundberg's total market figures were not available, but Federal Highway Administration reported recently that gasoline volume in 1981 amounted to 104.1-billion gal., down 2.2% from the 1980 level of 106.4-billion gal. [NPN—May p10]. This squares fairly well with Lundberg's percentage.

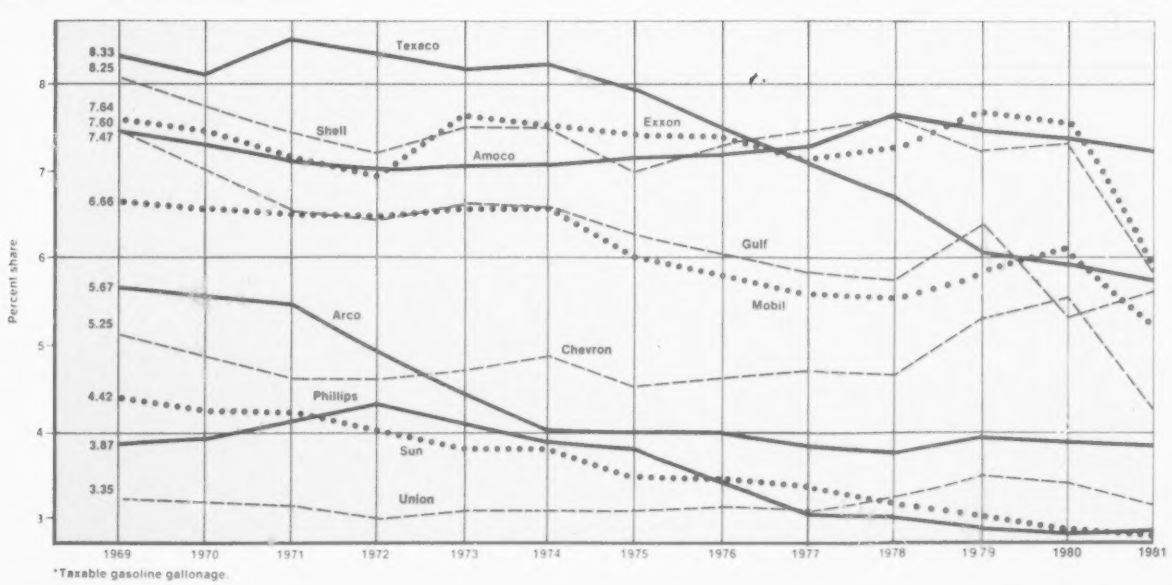
The all-time high for gasoline consumption occurred in 1978 when volume ran just a shade under 117-billion gal. Thus the 1981 usage was 12.5% below the peak year.

(continued)

Top 11 Marketers: A Seven Year Overview

	1981		1980		1979		1978		1977		1976		1975	
	Rank	% Share	Rank	% Share	Rank	% Share	Rank	% Share	Rank	% Share	Rank	% Share	Rank	% Share
Amoco	1	7.31	3	7.40	2	7.48	2	7.71	2	7.30	4	7.20	2	7.17
Shell	2	6.92	2	7.44	3	7.30	1	7.70	1	7.53	3	7.36	4	7.00
Exxon	3	6.80	1	7.54	1	7.65	3	7.28	3	7.14	2	7.40	3	7.10
Texaco	(4	5.70	5	5.95	5	6.01	4	6.75	4	7.11	1	7.50	1	7.94
Gulf	4)	5.70	7	5.39	4	6.36	5	5.83	5	5.91	5	6.11	5	6.27
Mobil	6	5.33	4	6.01	6	5.78	6	5.55	6	5.59	6	5.78	6	6.02
Chevron	7	5.19	6	5.77	7	5.30	7	4.76	7	4.75	7	4.70	7	4.58
Atlantic Richfield	8	3.84	8	3.87	8	3.89	8	3.79	8	3.85	8	4.00	8	3.96
Union	9	3.33	9	3.50	9	3.49	9	3.28	11	3.08	11	3.24	11	3.18
Phillips	10	2.90	10	2.83	11	2.85	11	3.02	10	3.15	10	3.43	9	3.93
Sun	11	2.53	11	2.74	10	3.01	10	3.20	9	3.39	9	3.49	10	3.49

Source: Lundberg Letter and NPN Factbook.



*Taxable gasoline gallonage.

Majors' Shrinking Share

An interesting aspect of the 1981 report was the obvious shrinkage not only in total gallonage but in the percentage held by the major oil companies.

In 1975, for example, no less than four companies each had at least 7% of the market. That held true in 1976 and 1977 but in 1978, the total dropped to only three companies with 7% or more. Again, this trend stabilized for two more years. But last year, only one company had a grasp on more than 7% of the market—Amoco.

Consequently, not only have the percentage figures fallen through the years but so have the gallonage volumes.

Shell, for example, had 7.71% of the national market in 1978—the peak year. That was roughly equivalent to 9-billion gal. In 1981, Amoco had 7.31% of a shrunken market and wound up with a much lower total—7.6-billion gal.

It should be noted here that the foregoing is a comparison of government and Lundberg statistics. So while the numbers may not be entirely accurate, they are in the ball park and close to home.

Another interesting facet of Lundberg's report on 1981 was the re-emergence of Gulf Oil as a contender for high honors. Gulf, in fifth place for years, jumped into fourth in 1979 and looked like a comer. It slumped in 1980 then came charging back in 1981. It pulled up virtually even with Texaco in co-sharing fourth place honors.

The uphill sledding will be a lot rougher for Gulf in the future because the competition in the win, place and show positions is extremely tough.

Be that as it may, Gulf seems sure to top Texaco in 1982. Texaco has been on a downhill slide for a decade. In 1971, it was the national leader with 8.33% share.

No other company in the annals of oil marketing statistics has reached that lofty peak. As a matter of fact, only Texaco and Shell ever topped the 8% mark, and that within the past 15 to 20 years. *NPN*

Depressing First Quarters For Most Oil Companies

Although they didn't take a bath, in the vernacular of Wall Street, most oil companies did take a good watering down in their first quarter operations.

Just about everybody had minus signs in their profit and loss columns for the period ending March 30. The rare exceptions included Standard of Indiana, up 25%; Sun, up 3%; Diamond Shamrock, up 27%; Atlantic Richfield, up 4.7%; and Union, up 9.1%.

The minus signs reflected the depressed markets and the international oil surplus which, in any case, apparently was being whittled down to more manageable levels. This could presage better times ahead.

Revenues, as well as earnings, were hurt by the recession and reduced consumption. Exxon, for example, said its operating revenues were down 10.6% —the first time anything like this has happened since 1970, the most recent year for which records are readily available. The 22.5% decline in first quarter income contrasts dramatically with Exxon's average 20% annual growth rate since 1979.

1982 First Quarter Oil Company Income

(Add 000)

Company	1st. Qtr. 1982	1st. Qtr. 1981	% Change
Exxon	$1,240.0	$1,600.0	(22.5)%
Mobil	326.0	640.0	(49.1)
Texaco	143.0	237.0	(39.5)
Standard of Calif.	230.0	666.0	(65.5)
Standard of Indiana	470.0	377.0	24.7
Gulf	267.0	303.0	(11.9)
Shell	345.0	361.0	(4.4)
Atlantic Richfield	385.4	368.2	4.7
Standard of Ohio	454.7	520.4	(12.6)
Sun	124.0	120.0	3.3
Phillips	189.0	270.8	(30.2)
Getty	164.0	230.0	(28.7)
Union of Calif.	168.5	154.5	9.1
Amerada Hess	(16.2)	174.5	—
Cities Service	53.0	57.7	(8.1)
Tenneco (a)	129.0	194.0	(33.5)
Ashland (b)	(11.6)	7.2	—
Kerr-McGee	29.2	43.3	(32.6)
Diamond Shamrock	64.7	51.1	26.6
Murphy	33.4	38.4	(13.0)
American Petrofina	16.0	20.3	(21.2)
Total	4.6	(17.8)	—
Crown Central	(3.0)	(10.2)	—
Quaker State	5.8	3.6	61.1
Pennzoil	40.0	60.2	(33.3)

(a) Corporate, includes Tenneco Oil; (b) 2nd quarter since fiscal ends 9/30; Ashland's six-month earnings were $35.9 in '82 versus $27.5 in '81 for an increase of 30.5%.

Asset Positions of Top Oil Companies Improved Last Year

All but one of the top 20-plus oil companies improved their asset positions in 1981, a compilation of data by *NPN* shows.

Improvements ranged from 6% to 30%. But percentages tell only half the story, as statisticians and economists are well aware.

The only company to lose ground in 1981 was American Petrofina whose total assets declined 3.5% to $1.146-billion. [For the reason why, see NPN—June '81, p40.]

The assets of the biggest company, Exxon, rose 11.2% over 1980's aggregate of $56.68-billion and, all alone, constitute about one-sixth of the total assets controlled by the top 20 or so oil companies.

All of the companies in the following list are ranked according to their asset values. All have at least $1-billion in assets. This is the 1981 ranking by size:

Company	Assets	% Change vs. 1980
Exxon	$62,931.0	11.2%
Mobil	34,776.0	6.3
Texaco	27,489.0	4.0
Socal	23,680.0	6.8
Soind	22,916.0	13.6
Gulf	20,429.0	9.6
Shell	20,118.0	14.2
Atl. Rich.	19,732.0	18.8
Sohio	15,743.0	30.3
Sun	11,822.0	7.9
Phillips	11,264.0	14.4
Getty	9,536.3	15.4
Union	7,592.8	12.1
Amer. Hess	6,321.6	7.2
Cit. Serv.	6,048.5	9.2
Marathon	5,993.6	18.9
Ashland	4,097.4	22.0
Kerr-McGee	3,414.9	21.7
Dia. Shamrock	3,016.3	26.9
Murphy	2,776.8	20.3
Amer. Petrofina	1,146.1	−3.5

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Oil's TV Ad Spending Rises With Brand Competition

Obviously reflecting the turmoil in the marketplace, the intensified pressure for gallonage and the effort to restore brand images, most oil companies increased their television advertising budgets significantly in 1981.

A preliminary report from the Bureau of Television Advertising said oil companies spent more than $158-million on TV commercials last year. The budgets were about equally divided between spot TV and network TV.

Of the top 19 advertisers, only Atlantic Richfield cut its TV budget in 1981, unsurprisingly now in light of its recent move out of credit cards. It reduced expenditures by two-thirds, from a 1980 total of $14-million to a 1981 total of $4.7-million.

The table below gives the entire story:

Oil's Top TV Advertisers—1981

(Add 000)

Company	1981 Total	Spot TV	% Chng. vs. '80	Network TV	% Chng. vs. '80
Exxon	$ 26,780	$ 6,223	41.1%	$20,577	114.5%
Texaco	15,761	3,746	114.5	12,016	3.3
Shell	13,561	7,416	108.4	6,145	19.6
Stand. Oil (Ind.)	11,630	11,630	43.9	—	—
Phillips	10,872	2,092	113.5	8,780	1.7
Gulf	9,829	9,624	50.7	205	NA
Mobil	8,993	8,993	173.3	—	—
Stand. Oil (Calif.)	8,745	8,518	53.3	227	NA
Pennzoil	8,355	2,522	170.9	5,833	1.2
Conoco	7,504	429	NA	7,075	38.5
Sun	7,166	1,799	—	5,367	164.5
Ashland	5,259	2,069	NA	3,190	2.1
Quaker State	5,122	2,054	34.8	3,068	−1.3
Atlantic Richfield	4,693	746	−77.4	3,946	−66.3
Union Oil of Calif.	4,335	4,291	71.5	44	NA
Getty	3,202	3,202	NA	—	NA
Burmah Oil	2,856	2,856	28.5	—	NA
Standard of Ohio	2,621	—	—	2,621	NA
Witco Chemical	1,501	681	NA	820	NA
U.S. Total	**$158,805**	**$81,513**	—	**$77,293**	—

Source: Bureau of Television Advertising.

U.S. Crude Oil Reserves Remain Stable; Natural Gas Potential Rises, Says USGS

U.S. Geological Survey, in a fresh look at the crude oil and natural gas potential of the nation, says the picture hasn't changed much in the last seven to eight years.

USGS says undiscovered but recoverable reserves of crude may range from a low of 64.3-billion bbl. to a high of 105.1-billion bbl.

This, the agency says, indicates the mean average is about 82.6-billion bbl., which is only slightly more than the 1975 mean average of 82-billion bbl.

Inasmuch as the American people are consuming about 6-billion bbl. of oil products a year, this could be taken to mean that the U.S. has undiscovered reserves of crude oil that might last 10 to 18 years. But, realistically, this is a meaningless figure because the U.S. imports great quantities of crude oil from other places in the world that have bountiful supplies.

The government agency does make the point though that there is a 95% chance that the minimum levels will be exceeded, but only a 5% chance that the maximum levels can be topped.

Natural gas resources are in better shape, however. The agency now says undiscovered but recoverable gas resources range from 474.6-trillion cubic feet to 739.6-trillion cubic feet. The mean estimate is 593.8-trillion cubic feet.

By way of comparison, the 1975 mean average was 484-trillion cubic feet, meaning that the gas resources have undergone an improvement of 22%.

USGS says there is a mean estimate of 18-billion bbl. of undiscovered natural gas liquids. Normally, these liquids are added to the crude oil supplies.

The geological report covers both the onshore and offshore potentials of the United States.

Who Needs the Arco Credit Card?

Although a Chicago-area Arco station had lost its company's credit card, it soon enough found a friend in Citgo.

In late April, an Arco-branded jobber hoisted a banner at his station which proclaimed that motorists could use Citgo credit cards [see photo below]. The jobber declines to explain his marketing tactic, despite repeated attempts to contact him. Another company spokesman did say, however, that the station was not in the midst of rebranding to Citgo.

"The station can't turn in Citgo credit card slips and be reimbursed," says John Dewell, VP of retail marketing for Citgo. "But," he adds, "if somebody wanted to get around it, I imagine he could."

While the jobber is affiliated with a number of petroleum marketers in the area, none held Citgo supply contracts at presstime, another Citgo spokesman said.

Ironically, the "extra" credit feature had failed to boost sales beyond that station's regular 100,000-gal. a month volume, said a spokesman for the jobber. The station planned to begin honoring bank cards in May, he said, adding that the Citgo program "was just temporary."

"It's just like the bank cards," commented an Arco marketing spokesman. "If this guy has found a way to clear his Citgo card receipts, we don't care—we don't pay for [carrying] it." NPN

Brand integrity is taking a beating in certain circles recently.

Photo by Tom Olesh